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C O N F I D E N T I A L STATE 296159

FOLLOWING REPEAT ABU DHABI 2444 ACTION SECSTATE INFO TEHRAN
NEW DELHI DOHA KUWAIT JIDDA 26 NOV

QUOTE

C O N F I D E N T I A L ABU DHABI 2444

TEHRAN FOR PARSKY

E.O. 11652: GDS

TAGS: EGEN, PFOR, TC, US, BEXP

SUBJ: VISIT TO ABU DHABI OF SECRETARY PARSKY

1. SUMMARY: BRIEF, UNSCHEDULED VISIT BY ASST SECY PARSKY TO ABU DHABI PROVIDED OPPORTUNITY FOR USEFUL EXCHANGE WITH TOP UAE OFFICIALS, EXPLORING SPECIFIC AREAS IN WHICH USG MIGHT ASSIST UAE ECONOMIC DEVELOPMENT. MINISTER PETROLEUM OTAIBA MENTIONED NUMBER OF PROJECTS THAT ABU DHABI HAD ESPECIAL INTEREST IN AT PRESENT: ON-SHORE GAS UTILIZATION; TWO JOINT INDUSTRIAL VENTURES BETWEEN GOVERNMENTS OF ABU DHABI AND INDIA, AND LARGE-SCALE UAE FEDERAL POWER AND DESALINATION PROJECT. END SUMMARY.

2. ASSISTANT SECRETARY OF TREASURY PARSKY DROPPED IN UNEXPECTEDLY AT ABU DHABI FOR 18-HOUR VISIT EN ROUTE FROM RIYADH TO TEHRAN. PARSKY HAPPENED TO MEET MINISTER OF PETROLEUM OTAIBA IN RIYADH (LATTER WAS ATTENDING OAPEC MEETING THERE)
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AND WHEN PARSKY EXPLAINED DIFFICULTIES OF COMMERCIAL AIR

CONNECTION BETWEEN RIYADH AND TEHRAN, OTAIBA OFFERED TO PUT HIS CHARTERED LEARJET AT PARSKY'S DISPOSAL, INVITING HIM AND HIS PARTY TO STOP IN ABU DHABI FOR DAY OF TALKS. PARSKY HAD VERY USEFUL MEETINGS WITH OTAIBA, FOREIGN MINISTER SUWAIDI AND CROWN PRINCE SHAIKH KHALIFA. TO EACH PARSKY EXPLAINED SORT OF THING USG WAS TRYING TO DO IN COUNTRIES WITH WHICH WE HAVE ESTABLISHED ECONOMIC COMMISSIONS AND EXPRESSED INTEREST IN EXPLORING WHETHER, ON MORE INFORMAL, PROJECT-BY-PROJECT BASIS, SIMILAR OPPORTUNITIES FOR COOPERATION COULD NOT BE FOUND HERE. TWO-HOUR CONVERSATION WITH OTAIBA PROVIDED OPPORTUNITY TO GET INTO CONSIDERABLE DETAIL ON CERTAIN PROJECTS IN WHICH UAEG PARTICULARLY INTERESTED. ALL THREE OFFICIALS RESPONDED ENTHUSIASTICALLY TO GENERAL THEME OF PARSKY'S PRESENTATION AND APPEARED EAGER TO FOLLOW UP IN IDENTIFYING SPECIFIC AREAS OF COOPERATION.

3. IN DESCRIBING EXPERIENCES TO DATE IN ECONOMIC COMMISSIONS IN OTHER COUNTRIES, PARSKY SAID THAT DEVELOPMENT PROBLEMS OF EACH COUNTRY ARE SUI GENERIS AND THIS WOULD OF COURSE ALSO APPLY TO UAE. HE THOUGHT KEY ISSUE FOR UAE WOULD BE HOW TO DIVERSIFY ITS ECONOMY WHICH WOULD BE ITS BEST INSURANCE OVER LONG-TERM. HE BELIEVED USG MIGHT BE ABLE TO HELP UAE IN THIS PROCESS. PARSKY IDENTIFIED THOSE GENERAL AREAS IN WHICH USG HAD FOUND ITSELF ABLE TO BE OF ASSISTANCE ELSEWHERE AND WHICH HE THOUGHT MIGHT ALSO APPLY IN UAE: FIRST, IN STIMULATING AND ORGANIZING US PRIVATE SECTOR INTEREST IN SPECIFIC PROJECTS; SECONDLY IN PROVIDING TECHNICAL ASSISTANCE; THIRDLY, FACILITATING ACQUISITION OF ANY URGENTLY NEEDED EQUIPMENT OR SERVICES WHICH MIGHT OTHERWISE BE DIFFICULT OR TIME-CONSUMING TO OBTAIN. PARSKY CITED AS EXAMPLE OF LAST CATEGORY RECENT USG ASSISTANCE IN EQUIPING SAUDI ARABIA WITH ADVANCED-TECHNOLOGY ELECTRICAL EQUIPMENT. PARSKY SUGGESTED TO OTAIBA THAT IF HE COULD LIST SOME OF SPECIFIC PROJECTS THAT UAEG ATTACHED HIGH PRIORITY TO AT PRESENT IT WOULD ASSIST HIM IN EXPLORING WHETHER USG MIGHT BE OF ASSISTANCE. PARSKY ADDED THAT HE HOPED TO RETURN TO ABU DHABI EARLY NEXT YEAR TO DISCUSS ADDITIONAL AREA OF COOPERATION WHICH WAS POSSIBILITY OF ABU DHABI INVESTMENT IN ENERGY DEVELOPMENT PROJECTS IN THE US, BUT ON THIS OCCASION HE THOUGHT TWO SIDES COULD BEST CONCENTRATE ON AREAS HE HAD EARLIER MENTIONED.

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TRATE ON AREAS HE HAD EARLIER MENTIONED.

4. OTAIBA BEGAN BY SAYING HE THOUGHT THIS WAS EXCELLENT APPROACH AND HE LOOKED FORWARD TO WORKING WITH US OFFICIALS IN IDENTIFYING COOPERATIVE PROJECTS. HE SAID MOST IMPORTANT PROCCUPATION AT PRESENT WAS DEVELOPMENT OF ABU DHABI ON-SHORE GAS RESOURCES. OTAIBA BRIEFED PARSKY ON STATUS OF NEGOTIATIONS BETWEEN ADPC INDUSTRY PARTNERS AND GOVERN-

MENT, EXPLAINING THAT MOST ISSUES HAVE BEEN RESOLVED EXCEPT FOR QUESTION OF WHETHER IT SHOULD BE COMPANIES THEMSELVES OR GOVERNMENT THAT SHOULD GUARANTEE BORROWED PORTION OF INDUSTRY'S 40 PER CENT SHARE OF CAPITAL INVESTMENT. PROBLEM CENTERED ON QUESTION WHETHER IT REASONABLE FOR COMPANIES TO ASSUME RISKS WHICH, IN THEIR OPINION, ARE TO GREAT EXTENT POLITICAL IN NATURE. NEGOTIATIONS FURTHER COMPLICATED BY FACT THAT COMPANIES HAD SOMEWHAT DIFFERENT VIEWS AMONG THEMSELVES ABOUT PROJECT. AMBASSADOR SUGGESTED THAT PERHAPS MOST USEFUL SERVICE PARSKY COULD PROVIDE AT THIS STAGE WOULD BE TO DISCUSS PROJECT AT HIGH LEVEL WITH AMERICAN PARTNERS EXXON AND MOBIL, AND TO SEE WHETHER THERE WAS ANY WAY USG MIGHT EASE COMPANY/BANKER POLITICAL RISK PROBLEM. PARSKY UNDERTOOK TO DO THIS, REQUESTING THAT HE FIRST BE PROVIDED WITH WRITTEN SUMMARY TO GIVE HIM AS PRECISE IDEA AS POSSIBLE OF WHERE NEGOTIATIONS STAND. EMBASSY IN COOPERATION WITH OTAIBA'S OFFICE WILL PREPARE THIS.

5. OTAIBA SAID HE WONDERED WHETHER USG MIGHT ALSO BE OF ASSISTANCE ON TWO JOINT PROJECTS WHICH ABU DHABI DISCUSSING WITH INDIA. PLANS FOR THESE WERE PUSHED FORWARD DURING INDIAN FOREIGN MINISTER'S VISIT TO ABU DHABI LAST MONTH. INDEPENDENT FEASIBILITY STUDIES HAD JUDGED BOTH PROJECTS ECONOMICALLY VIABLE. BOTH WOULD BE BUILT IN ABU DHABI EMIRATE. FIRST WAS STEEL MILL WHICH WOULD PRODUCE 800,000 TONS SPONGE STEEL ANNUALLY; SECOND WAS FERTILIZER PLANT TO PRODUCE ONE MILLION TONS OF UREA PER ANNUM. BOTH PROJECTS HAD BEEN DISCUSSED ON 60 (ABU DHABI) 40 (INDIA) BASIS. BUT INDIANS NOW WERE FINDING IT DIFFICULT TO COME UP WITH THEIR SHARE OF CAPITAL INPUT AND WANTED TO REDUCE THEIR EQUITY SHARE. OTAIBA WONDERED IF IT MIGHT NOT BE POSSIBLE TO FIND US FIRMS--PERHAPS ONES WHO COULD PROVIDE EQUIPMENT OR TECHNICAL OR MANAGEMENT

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EXPERTISE--WHICH MIGHT BE INTERESTED IN PARTICIPATION IN THESE PROJECTS SO THAT INDIAN EQUITY SHARE COULD BE REDUCED.

6. SECOND PROBLEM INVOLVED MARKETING PRODUCT OF STEEL MILL. THIS IS NOT PROBLEM WITH FERTILIZER BECAUSE CONCEPT IS THAT INDIA WOULD TAKE ENTIRE FERTILIZER OUTPUT IN RETURN FOR PROVIDING ABU DHABI WITH IRON ORE FOR STEEL MILL. INDIANS NOW ALSO WANTED TO TAKE FULL PRODUCTION OF SPONGE STEEL BUT HAD OFFERED TO PAY FOR THIS IN RUPEES WHICH ABU DHABI DID NOT WANT. COULD USG OR US FIRMS ASSIST IN MARKETING SPONGE STEEL PRODUCT FOR HARD CURRENCY RETURN?

7. PARSKY SAID HE WOULD BE HAPPY TO INVESTIGATE THESE QUESTIONS AND EXPRESSED PARTICULAR INTEREST IN PROJECTS BECAUSE OF OUR OWN JOINT COMMISSION IN INDIA. HE ASKED FOR,

AND OTAIBA PROMISED TO PROVIDE, COPIES OF STUDIES ON THESE PROJECTS.

8. AMBASSADOR SAID HE WOULD ALSO LIKE TO SEE ADDED TO OTAIBA'S LIST LARGE-SCALE FEDERAL POWER/DESALTING PROJECT WHICH HE UNDERSTOOD WAS STILL IN CONCEPTUAL STAGE BUT IF CARRIED OUT WOULD BE OPPORTUNITY TO APPLY LATEST TECHNOLOGY AND TO STIMULATE INTEREST IN WIDE RANGE OF US FIRMS IN BIDDING ON VARIOUS PHASES OF PROJECT. OTAIBA SAID HE WAS UNCERTAIN ABOUT STATUS OF PROJECT BUT AGREED IT WOULD ALSO BE APPROPRIATE AREA OF COOPERATIONS.

9. DISCUSSION ENSUED ABOUT BEST MEANS TO PURSUE THESE AND OTHER POSEABLE PROJECTS IN FUTURE. OTAIBA SUGGESTED ESTABLISHMENT OF JOINT US-ABU DHABI COMMITTEE WHICH WOULD MEET PERIODICALLY EITHER HERE OR IN WASHINGTON. PARSKY AND AMBASSADOR REACTED BEARISHLY TO THIS PROPOSAL, SAYING THEY THOUGHT PROJECTS AND PROPOSALS COULD BE PROMPTLY AND THOROUGHLY INVESTIGATED THROUGH EXISTING INFORMAL MECHANISM. IMPORTANT THING, SAID PARSKY, WAS THAT UAEG COULD BE ASSURED IT HAD CONCERNED PERSON IN WASHINGTON WHO WOULD ACT AS FOCAL POINT TO EXPLORE THESE OPPORTUNITIES ENERGETICALLY. HE WAS REASONABLY CERTAIN THAT REQUISITE COORDINATION AMONG US AGENCIES COULD BE ACCOMPLISHED WITHOUT COMMITTEE. IF AT LATER STAGE NEED FOR MORE FORMAL ARRANGEMENT SUCH AS JOINT COMMITTEE MAKES ITSELF FELT, IT CAN ALWAYS CONFIDENTIAL

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BE CREATED. UAE OFFICIALS SEEMED AMENABLE TO THIS VIEW. SHAIKH KHALIFA SAID THAT IN HIS EXPERIENCE COMMITTEES CREATED MORE PROBLEMS THAN THEY SOLVED, BUT HE WAS SURE EXPERIENCE IN US MUST BE DIFFERENT. WE ASSURED HIM IT WAS JUST AS BAD IF NOT WORSE IN WASHINGTON.

10. COMMENT: PARSKY VISIT SERVED AS VERY USEFUL AND TIMELY CATALYST TO GET UAE OFFICIALS THINKING IN PRACTICAL TERMS ABOUT US ROLE IN ITS DEVELOPMENT PLANS. WE ARE DELIGHTED THAT PARSKY INTENDS TO RETURN TO ABU DHABI FOR LONGER VISIT EARLY NEXT YEAR. WE WILL FORWARD TO HIM PAPERS HE HAS REQUESTED ON PROJECTS DISCUSSED DURING HIS VISIT, AND WILL ALSO TRY TO GET UP-TO-DATE AND COMPLETE SUMMARY OF PROJECTS BEING PLANNED WITHIN OIL MINISTRY AND ADNOC PURVIEW. WE WILL ALSO PURSUE WITH GOVERNMENT HERE BEST PROCEDURE TO SET UP WHEREBY EMBASSY CAN BE MORE PROMPTLY AND FULLY INFORMED ABOUT FULL RANGE OF BOTH ABU DHABI AND FEDERAL DEVELOPMENT PLANS AS THEY MATURE. THIS WILL CONTINUE TO BE FRUSTRATING BUSINESS BECAUSE INADEQUACY OF PLANNING APPARATUS HERE IS COMPOUNDED BY CONTINUING CONFUSION BETWEEN FEDERAL AND EMIRATE GOVERNMENTS IN RESPONSIBILITY FOR DEVELOPMENT PLANNING. WHILE WE WOULD PREFER TO WORK WITHOUT JOINT COM-

MITEE, WE SHOULD NOT BE DOGMATICALLY NEGATIVE ABOUT SIMPLE
MECHANISM ALONG THESE LINES IF, IN LIGHT OF EXPERIENCE,
IT PROVES TO BE BEST WAY TO FOCUS ATTENTION OF UAE OFFICIALS ON
PROSPECTS FOR COOPERATION.
STERKX UNQUOTE INGERSOLL

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